

Senate Bill No. 650

Passed the Senate January 23, 2014

Secretary of the Senate

Passed the Assembly June 30, 2014

Chief Clerk of the Assembly

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Section 9321.1 to, and to repeal and amend Section 9321 of, the Commercial Code, relating to business.

LEGISLATIVE COUNSEL'S DIGEST

SB 650, Lieu. Motion pictures.

Existing law provides, until January 1, 2015, that a licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

This bill would remove the repeal of this provision on January 1, 2015, thus making this provision in effect indefinitely.

This bill would also provide that a licensee of nonexclusive rights in a motion picture that is produced pursuant to one or more collective bargaining agreements, as specified, takes its nonexclusive license in the motion picture subject to any perfected security interest securing the obligation to pay residuals as set forth in the applicable collective bargaining agreement and arising from exploitation under the license.

The people of the State of California do enact as follows:

SECTION 1. Section 9321 of the Commercial Code, as amended by Section 2 of Chapter 54 of the Statutes of 2013, is repealed.

SEC. 2. Section 9321 of the Commercial Code, as added by Section 3 of Chapter 54 of the Statutes of 2013, is amended to read:

9321. (a) In this section, “licensee in ordinary course of business” means a person that becomes a licensee of a general intangible in good faith, without knowledge that the license violates the rights of another person in the general intangible, and in the ordinary course from a person in the business of licensing general intangibles of that kind. A person becomes a licensee in the ordinary course if the license to the person comports with the usual

or customary practices in the kind of business in which the licensor is engaged or with the licensor's own usual or customary practices.

(b) Except as otherwise provided in Section 9321.1, a licensee in ordinary course of business takes its rights under a nonexclusive license free of a security interest in the general intangible created by the licensor, even if the security interest is perfected and the licensee knows of its existence.

(c) A lessee in ordinary course of business takes its leasehold interest free of a security interest in the goods created by the lessor, even if the security interest is perfected and the lessee knows of its existence.

SEC. 3. Section 9321.1 is added to the Commercial Code, to read:

9321.1. A licensee of nonexclusive rights in a motion picture that is produced pursuant to one or more collective bargaining agreements governed by the laws of the United States takes its nonexclusive license in such motion picture subject to any perfected security interest securing the obligation to pay residuals as set forth in the applicable collective bargaining agreement and arising from exploitation under such license. The terms "motion picture" and "residuals" have the meaning ascribed to such terms under the applicable collective bargaining agreements.

Approved _____, 2014

Governor